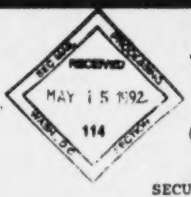


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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

10-Q

92-2232

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-8157

THE RESERVE PETROLEUM COMPANY
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 73-0237060 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer identification number) |
| 6801 N. Broadway, Suite 300, Oklahoma City, Oklahoma | 73116 |
| (Address of principal executive offices) | (Zip Code) |

405-848-7551
(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ___

As of May 10, 1991, 173,551 shares of the Registrant's $.50 par value common stock were outstanding.

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# PART I

# FINANCIAL INFORMATION

THE RESERVE PETROLEUM COMPANY
BALANCE SHEETS
(Unaudited)

ASSETS

| | March 31, 1992 | December 31, 1991 |
|---|---|---|
| Current Assets: | | |
| Cash and Cash Equivalents | $ 176,677 | $ 262,431 |
| Temporary Investments | 3,023,761 | 2,949,209 |
| Marketable Equity Securities | 158,931 | 269,031 |
| Receivables | 228,038 | 185,318 |
| Refundable Income Taxes | 98,004 | 116,739 |
| Prepayments | 3,750 | 5,625 |
| | 3,689,161 | 3,788,353 |
| Investments: | | |
| Partnerships | 268,523 | 270,968 |
| Other | 11,230 | 11,230 |
| | 279,753 | 282,198 |
| Property, Plant & Equipment | | |
| Oil & Gas Properties, at Cost Based on the Successful Efforts Method of Accounting | | |
| Unproved Properties | 723,114 | 650,644 |
| Proved Properties | 4,385,890 | 4,206,163 |
| | 5,109,004 | 4,856,807 |
| Less - Valuation Allowance and Accumulated Depreciation, Depletion & Amortization | 3,500,481 | 3,413,201 |
| | 1,608,523 | 1,443,606 |
| Other Property & Equipment, at Cost | 328,384 | 330,270 |
| Less - Accumulated Depreciation, Depletion & Amortization | 227,145 | 227,383 |
| | 101,239 | 102,887 |
| | 1,709,762 | 1,546,493 |
| Other Assets | 177,469 | 168,576 |
| | $5,856,145 | $5,785,620 |

(continued)

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
BALANCE SHEETS

(concluded)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | March 31, 1992 | December 31, 1991 |
|---|---|---|
| Current Liabilities: | | |
| Accounts Payable | $ 58,916 | $ 29,584 |
| Other Current Liabilities | | |
| Gas Balancing Commitments | 31,657 | 31,657 |
| Dividends Payable, Current Portion | 10,000 | 6,000 |
| | 100,573 | 67,241 |
| Dividends Payable | 94,143 | 98,276 |
| Deferred Federal Income Taxes | 120,514 | 112,643 |
| Stockholders' Equity | | |
| Common Stock | 92,368 | 92,368 |
| Additional Paid-in Capital | 65,000 | 65,000 |
| Retained Earnings | 5,473,939 | 5,440,484 |
| | 5,631,307 | 5,597,852 |
| Less: | | |
| Treasury Stock, at cost | 90,392 | 90,392 |
| | 5,540,915 | 5,507,460 |
| | $5,856,145 | $5,785,620 |

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 1992 | 1991 |
| Operating Revenues: | | |
| Oil & Gas Sales | $ 392,759 | $ 405,352 |
| Lease Bonuses & Rentals | 142 | 210 |
| | 392,901 | 405,562 |
| Operating Costs & Expenses: | | |
| Production | 70,777 | 74,060 |
| Exploration and Development | 5,113 | 55,207 |
| Depreciation, Depletion, Amortization and Valuation Provisions | 109,013 | 71,687 |
| General, Administrative and Other | 163,659 | 161,108 |
| | 348,562 | 362,062 |
| Income From Operations | 44,339 | 43,500 |
| Other Income, Net | 15,722 | 121,242 |
| Income Before Income Taxes | 60,061 | 164,742 |
| Provision For Income Taxes | 26,606 | 36,500 |
| Net Income | $ 33,455 | $ 128,242 |
| Per Share Data: | | |
| Weighted average shares outstanding | 172,953 | 173,586 |
| Net Income Per Share | $ .19 | $ .74 |

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
STATEMENTS OF CASH FLOW
Increase (Decrease) in Cash and Cash Equivalents

| | Three Months Ended March 31, | |
|---|---|---|
| | 1992 | 1991 |
| Net Cash Provided by Operating Activities | $ 180,030 | $ 266,885 |
| Cash Flows from Investing Activities: | | |
| Proceeds from Sale of Marketable Securities | 239,313 | 78,105 |
| Purchase of Marketable Securities | (152,440) | (107,271) |
| Sale of Temporary Investments | 185,779 | 144,690 |
| Purchase of Temporary Investments | (260,331) | (78,105) |
| Property Dispositions | 576 | --- |
| Property Additions | (268,548) | (288,392) |
| Contribution to Limited Partnership | (10,000) | --- |
| Other Cash Disbursements | --- | (953) |
| Net Cash Applied to Investing Activities | (265,651) | (251,926) |
| Cash Flows from Financing Activities: | | |
| Decrease in Dividends Payable | (133) | (2,030) |
| Net Cash Applied to Financing Activities | (133) | (2,030) |
| Net Change in Cash and Cash Equivalents | (85,754) | 12,929 |
| Cash and Cash Equivalents, Beginning of Period | 262,431 | 239,231 |
| Cash and Cash Equivalents, End of Period | $ 176,677 | $ 252,160 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash Paid During the Periods For: | | |
| Interest | $ 3,750 | $ 3,757 |
| Income Taxes | $ --- | $ 28,000 |

See Accompanying Notes

THE RESERVE PETROLEUM COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

Note 1 - ADJUSTMENTS

In the opinion of Management, the accompanying financial statements reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

Note 2 - INCOME TAXES

The provision for income tax has been computed based on the Company's estimate of the tax rate to be effective for the full year. All tax planning alternatives known to be available to the Company have been used in determining the rate.

Note 3 - CURRENT MARKETABLE EQUITY SECURITIES

The Company's portfolio of current marketable equity securities is carried at the lower cost of market value. At March 31, 1992, the cost of the securities of $182,158 was in excess of market value by $23,227. To reduce the carrying value to market, a valuation allowance in the amount of $23,227 was established with a corresponding charge to income.

THE RESERVE PETROLEUM COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
MARCH 31, 1992

1. Material Changes in Financial Condition From Year Ended December 31, 1991 to Three Months Ended March 31, 1992

Cash and cash equivalents declined $85,754 as disclosed in the accompanying Statements of Cash Flows. Net Cash provided from operating activities of $180,030 was exceeded by net cash applied to investing and financing activities of $265,784. Total capital expenditures, were $273,786 of which $268,548 was included in investing activities and the remainder was charged to operating activities.

Management is unaware of any material trends, demands, commitments, events or uncertainties which would impact liquidity and capital resources to the extent that the discussion presented in Form 10-K for December 31, 1991, would not be representative of the Company's current position. Therefore, management is of the opinion that cash flows from operations, along with existing temporary cash investments will supply the funds required to meet operating cash requirements for the foreseeable future; however, should the Company's exploration program be successful, or a material acquisition occur, the Company may require external sources of capital.

2. Material Changes in Results of Operations Quarter Ended March 31, 1992, compared with Quarter Ended March 31, 1991

Although income from operations was flat, net income between the periods declined $94,787, or 74%, from $128,242 ($.74 per share) in 1991 to $33,455 ($.19 per share) in 1992. For the most part, the decline was the result of a decrease in non-operating income. All material line item changes will be discussed below.

Operating Revenues. The decline in operating revenues of $12,661 (3%) from $405,562 in 1991 to $392,901 in 1992, was the result of a decrease in natural gas sales as offset by an increase in crude oil sales.

Revenue from gas sales decreased to $193,695 in 1992, a $68,882 (26%) decrease from $262,577 in 1991. Gas volume declined 18% or 21,774 thousand cubic feet (MCF) to 99,351 MCF in 1992 from 121,125 MCF in 1991. The average unit price declined $.22 (10%) to $1.95. The volume decline was mostly the result of reduced takes because of weak market conditions and the normal decline of older production. The price decline was also the result of weak market conditions.

Revenue from oil sales increased to $197,423 in 1992, a $56,043 (40%) increase from 1991. Oil volume increased 3,476 barrels (bbls) to 10,569 bbls in 1992, a 49% increase from 1991.

The average price received decreased $1.26 per bbl to $18.67, a 6% decrease from 1991. The increased oil volume was the result of a one time receipt of prior period runs on an oil royalty of approximately 1,900 bbls and receipt of approximately 1,100 bbls of suspended runs for a total of approximately $67,000. The price decline was the result of general market conditions.

Operating Costs and Expenses. The $13,500 (4%) decrease was to a great extent the net result of a decrease in exploration expense as partially offset by an increase in depreciation of oil and gas properties. Most of the increased depreciation is related to a rapidly declining well which began production in the second quarter of 1991.

Other Income, Net. As noted in the introductory paragraph above, the decrease in net income resulted from a decline in this category.

In 1991, a gain of $37,716 was realized on the sale of rural real estate. No additional real estate sales are anticipated in 1992.

In 1992, interest income declined $32,680 (46%) to $38,792. Of the total decline, approximately $4,200 was the result of a decrease in temporary investments and $28,500 the result of a decline in the average interest rate from 8.5% to 5.1%.

Income from marketable securities (both realized and unrealized) decreased $21,168 from income of $16,230 in 1991 to a loss of $4,939 in 1992.

Adjusting partnership investments to estimated underlying net equity resulted in a charge to this category of $12,445 in 1992.

## PART II

## OTHER INFORMATION

Item 6. (b) No reports on Form 8-K were required to be filed by the Registrant for the Three Months Ended March 31, 1992.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE RESERVE PETROLEUM COMPANY
(Registrant)

Date: May 14, 1992

Mason McLain
President

Date: May 14, 1992

Jerry L. Crow
Principal Financial and
Accounting Officer